



STATE OF NEW JERSEY

Board of Public Utilities

Two Gateway Center

Newark, NJ 07102

www.bpu.state.nj.us

IN THE MATTER OF THE PETITION)	<u>WATER AND WASTEWATER</u>
OF THE CITY OF WILDWOOD WATER)	
UTILITY FOR APPROVAL OF REVISIONS)	ORDER OF MODIFICATION
OF ITS TARIFF FOR THE PROVISION)	
OF WATER SERVICES)	Docket No. WR04070620

(Service List Attached)

BY THE BOARD:

On July 9, 2004, the City of Wildwood Water Utility (Wildwood or Petitioner) filed a petition with the Board of Public Utilities (Board) seeking approval of revisions to a Stipulation of Settlement, dated July 24, 2002, which was adopted by the Board Order in I/M/O the Petition of the City of Wildwood Water Utility for Approval of Revisions of its Tariff for the Provision of Water Services at Docket No. WR00100717, dated September 5, 2002.

Petitioner is a municipal utility which provides water service to approximately 12,645 customers, of which 3,540 customers are located within the City of Wildwood and are not subject to Board jurisdiction, and 9,105 customers which are situated outside its municipal boundaries. Pursuant to N.J.S.A. 40A:31-23 (d), the Board has jurisdiction over the rates charged to customers that receive water service from Wildwood outside its municipal boundaries. Those municipalities include the following: the City of North Wildwood, The Borough of West Wildwood, the Borough of Wildwood Crest, the Diamond Beach section of Lower Township, and the Green Creek and Rio Grande Sections of Middle Township, (collective, Jurisdictional Customers) all located in Cape May County, New Jersey.

Background and Procedural History

On January 31, 1992, Wildwood filed a petition with the Department of Community Affairs, Division of Local Government Services, Local Finance Board (LFB), which alleged that Petitioner was having difficulties in meeting the costs of operating its water system and requesting that the LFB grant Petitioner an interim increase in rates for water service, pursuant to N.J.S.A. 40A:5A-25. By Order dated February 18, 1992, the LFB authorized Petitioner to increase its rates, on an interim rate basis, while Petitioner sought permanent rate relief from the Board.

Wildwood filed a petition seeking both an interim and a permanent rate increase, with the Board, on October 2, 2000. The City of North Wildwood, the Borough of Wildwood Crest, the Borough West Wildwood and Lower Township (collectively, the Intervenor) sought and were granted intervenor status. The Petitioner, the Intervenor, the Division of the Ratepayer Advocate, and the Board Staff reached a settlement, wherein Petitioner would not, under any circumstances,

file a petition with either the Board or LFB, for an increase in rates to the Jurisdictional Customers prior to January 1, 2006.

By this petition, Wildwood seeks modification of the Board's September 5, 2002 Order, to permit Wildwood to seek rate relief, by application to the LFB, prior to January 1, 2006. The Intervenor, the Division of the Ratepayer Advocate, and the Board Staff support Wildwood's petition. There are no other parties to this proceeding and these are the same parties that executed the prior settlement.

The Division of the Ratepayer Advocate Comments

The Division of the Ratepayer Advocate (RPA) submitted a letter on August 13, 2004 stating that it does not object to the modification of the Stipulation executed by the Parties and subsequently adopted by the Board on September 5, 2002. The RPA therefore does not object to the City of Wildwood filing a petition with the LFB for "interim rate relief, subject to refund prior to filing a petition for permanent rate relief with the Board of Public Utilities."

Discussions and Finding

Having reviewed the request by Wildwood the Board FINDS:

- 1) The parties to the 2002 settlement concur with Wildwood's request to modify the Board's September 5, 2002 Order;
- 2) Wildwood must, under the terms of the September 5, 2002 Order and Settlement, fund annual capital improvements;
- 3) Wildwood's operations are highly seasonal in nature;
- 4) The modification granted is to provide Wildwood an opportunity to seek rate relief and in no way is to be interpreted as rate approval by this Board at this time; and
- 5) The revised Stipulation conforms with the Board's ruling at the Board's August 18, 2004 Agenda meeting.

Therefore, the Board GRANTS Wildwood's request, and HEREBY MODIFIES the Board's September 5, 2002 Order to permit Wildwood to seek rate relief prior to January 1, 2006, at the Board or the LFB. The Board grants this modification with the condition that, should Wildwood seek rate relief at the LFB, Wildwood's petition to the LFB request interim rate relief subject to refund pending a permanent rate filing to this Board within one year from the date of the meeting at which the LFB takes action on Wildwood's rate request.

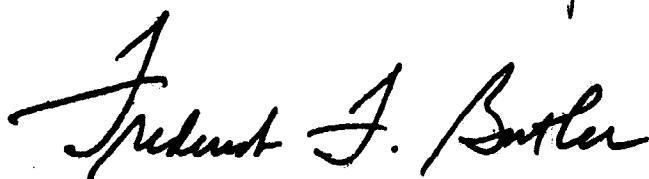
Finally, while we have granted Wildwood's request for modification of the Board's September 5, 2002 Order, the Board is concerned that, unless Wildwood engages in better long-term planning practices and pursues a closer working relationship with neighboring municipalities with respect to matters impacting Wildwood's water system, the Board will be confronted with future emergent rate applications. Therefore, Wildwood must take all steps necessary to avoid subjecting its ratepayers to this type of crisis ratemaking in the future. As a municipal water system, subject to the jurisdiction of this Board, Wildwood is required to be financially responsible and technically capable of operating its system in such a manner as to minimize

financial distress or operational deficiencies in order to provide safe, adequate and proper service to customers.

DATED: 8/23/04

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT



FREDERICK F. BUTLER
COMMISSIONER



CAROL J. MURPHY
COMMISSIONER


CONNIE O. HUGHES
COMMISSIONER


JACK ALTER
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

In the Matter of the Petition of the
City of Wildwood Water Utility for
Approval of Revisions of its Tariff for the
Provision of Water Services

BPU Docket No. WR04070620
(SERVICE LIST)

Kevin A. Conti, Esq.
DeCotiis, FitzPatrick, Cole & Wisler, LLP
Glenpointe Centre West
500 Frank W. Burr Boulevard
Teaneck, NJ 07666

Leslie G. London, Esq.
McManimon & Scotland, L.L.C
1 Riverfront Plaza
Newark, NJ 07102

Susan McClure, Esq.,
Division of the Ratepayer Advocate
New Jersey Division of the Ratepayer Advocate
31 Clinton Street
P.O. Box 46005
Newark, NJ 07101

Jeff Slutzky, DAG
Cristina Patel, DAG
Department of Law and Public Safety
Division of Law
124 Halsey Street
P.O. Box 5029
Newark, NJ 07101

Walter W. Cota
New Jersey Division of Taxation
Public Utilities Tax Section
50 Barrack Street
P.O. Box 246
Trenton, NJ 08695-0246